



GSAssociates

Business Partners and Certified Public Accountants

Payphone Compensation Audit
Pac-West Telecom, Inc.

Pac-West Telecomm, Inc.

Independent Auditor's System Report
For Payphone Compensation
As required by FCC Order 03-235
Docket No. 96-128



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Independent Auditor's Report System Audit Report

Senior Management
Pac-West Telecom, Inc.

At the request of the management of Pac-West Telecom, Inc., we have examined the call tracking systems of Pac-West Telecom, Inc. and its subsidiaries (collectively "PAC-WEST") for payphone calls in compliance with FCC Order 03-235, Docket No 96-128. Pac-West management is responsible for compliance with those requirements. (See Appendix 'B') Our responsibility is to express an opinion on PAC-WEST's compliance based on our examination.

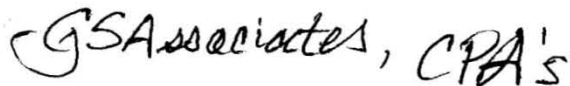
Our examination included procedures to obtain reasonable assurance about whether the controls included in our audit were suitably designed to achieve the control objectives – namely, that the call tracking system of PAC-WEST accurately tracks payphone calls to completion and that PAC-WEST satisfactorily complied with and applied these controls and such controls will be placed in operation consistently in the future.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence of compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on PAC-WEST's compliance with specified requirements.

In our opinion, PAC-WEST complied, in all material respects, with the aforementioned requirements for the period mentioned through June 1, 2010. PAC-WEST has sufficient controls in place to provide reasonable assurance to achieve the control objectives namely that the PAC-WEST call tracking system accurately tracks payphone calls to completion.

The description of policies & procedures concerning Payphone Compensation at PAC-WEST, as well as information concerning tests of the operating effectiveness includes the period of Q1 2010. Information concerning payments made includes the period through Q1 2010 which is the latest quarter that PAC-WEST had processed and remitted compensation to payphone service providers at the time we began our audit. Future projection of such information is subject to the inherent risk that, because of change, the description may no longer portray those procedures in existence. The potential effectiveness of specific controls at PAC-WEST is subject to inherent limitations and, accordingly, errors or fraud may occur and not be detected. Furthermore, the projection of any conclusions, based on our findings, to future periods is subject to the risk that, (1) changes made to the system or controls, (2) changes in processing requirements, or (3) changes required because of the passage of time may alter the validity of such conclusions.

This report is intended solely for the information and use of PAC-WEST, and is not intended to be and should not be used by anyone other than the specified party.



GSAssociates
July 31, 2010



Overview of System Audit Requirements

This System Audit Report covers FCC Order (03-235, Docket No 96-128), effective July 1, 2004 (the “Order”), requiring Interexchange Carriers (“IXCs”), incumbent local exchange carriers (“LECs”), competitive local exchange carriers (“CLECs”) and Switch Based Resellers (herein collectively or individually referred to as a “Carrier”), to establish and maintain a comprehensive Call Tracking System (“CTS”) which accurately reports and compensates Payphone Service Providers (“PSPs”).

The Order calls for an independent third party audit report in conformity with AICPA standards. The independent auditor’s report shall conclude whether the Carrier complied, in all material respects, with the factors set forth (below) regarding the CTS as follows:

- 1) Whether the Carrier’s procedures accurately reflect the Commission’s rules, including the attestation reporting requirements.
- 2) Whether the Carrier has a person or persons responsible for tracking, compensating, and resolving disputes concerning payphone completed calls.
- 3) Whether the Carrier has effective data monitoring procedures.
- 4) Whether the Carrier adheres to established protocols to ensure that any software, personnel, or any other network changes do not adversely affect its payphone call tracking ability.
- 5) Whether the Carrier has created a compensable payphone call file by matching call detail records against payphone identifiers.
- 6) Whether the Carrier has procedures to incorporate call data into required reports.
- 7) Whether the Carrier has implemented procedures and controls needed to resolve disputes.
- 8) Whether the independent third-party auditor can test all critical controls and procedures to verify that errors are insubstantial.
- 9) Whether the Carrier’s have adequate and effective business rules for implementing and paying payphone compensation.



Audit Process & Procedures

Our audit reports on all nine (9) points listed in the Order. The guidelines used to conduct and prepare the report are established in the AICPA's Statements on Standards for Attestation Engagements ("SSAE"), specifically, SSAE 10, AT Section 101 Attest Engagements and AT Section 601 Compliance Attestation.

Those standards required that we:

- 1) Have adequate technical training and proficiency in the attest function.
- 2) Perform the attest function using practitioners having adequate knowledge of the subject matter.
- 3) Evaluate the subject matter against suitable criteria such as:
 - a) *Objectivity* – free of bias
 - b) *Measurability* – reasonable consistent measurements, qualitative or quantitative, of subject matter.
 - c) *Completeness* – sufficiently complete so that relevant factors that would alter a conclusion about subject matter are not omitted.
 - d) *Relevance* – criteria relevant to the subject matter.
- 4) Maintain an Independent mental attitude in all matters relating to the engagement.
- 5) Exercise due professional care in the planning and performance of the engagement.
- 6) Obtain sufficient evidence to provide reasonable basis for our conclusion expressed in the report.

PAC-WEST has designed and implemented an in-house call tracking system. The scope of this audit as it relates to compensation is through March 31, 2010, which is the latest quarter that PAC-WEST had processed and remitted compensation to PSPs at the time we began our audit. The scope of this audit as it relates to PAC-WEST's processes and procedures subject to the Order is through July 31, 2010.



PAYPHONE COMPENSATION Policies & Procedures

PAC-WEST has established and documented policies & procedures specifically in compliance with the Order. These include, but are not limited to:

1. Backup Policy
2. Core Security / Critical Data Requirements Policy
3. Defect Tracking Process
4. Software Quality Testing Process
5. Change Control Policy
6. Host / Server Security Policy
7. Password Policy
8. Log Tracking & Archive Process
9. Physical Security Policy
10. Information Access Control Policy
11. Monitoring Policy
12. Firewall Policy

GSAssociates has verified with Neal Lam, Director of Information Technology for PAC-WEST that these policies are in effect. In addition, through interviews it was determined that no changes can be made to the software controlling the call tracking system without appropriate approvals.

Responsible Dedicated Staff

PAC-WEST has dedicated staff responsible for tracking, compensating, reporting and resolving disputes concerning completed calls as follows:

1. Neal Lam, Director Information Technology and Eva Fettig Director of Regulatory Affairs are responsible for drafting necessary business requirements.
2. Neal Lam, Director Information Technology, is responsible for developing and maintaining systems to create payphone call records from switch records.
3. Neal Lam, Director Information Technology, is responsible for implementing and maintaining procedures that check the validity of identified payphone records.
4. Neal Lam, Director Information Technology, is responsible for implementing & maintaining procedures that create final compensation data sets.
5. Eva Fettig, Director of Regulatory Affairs, is responsible for developing compensation tracking reports.
6. Eva Fettig, Director of Regulatory Affairs, is responsible for dispute resolutions.



Data Monitoring Procedures

PAC-WEST has developed a systematic reporting process to generate monthly and quarterly reports on payphone call counts, numbers called, and info digits used.

These reports reflect:

- a) Trends of switch traffic volumes entering their payphone compensation systems.
- b) Possible fraud on potential illegitimate payphone calls.
- c) Trends of excluded calls.
- d) The capability to develop customized reports to help resolve disputes.
- e) Capacity for other appropriate trending reports.

GSA has reviewed and documented these reports as valid and functional. Through interviews with Neal Lam and Eva Fettig GSA verified that the company has access to many reports and that relevant data is monitored. Mr. Lam indicated that PAC-WEST's IT department is able to query relevant data to create customized reports for monitoring purposes. GSA requested that the data be queried in a form not normally produced through the call tracking system and reporting methods.

Compensation Assurance Protocols

PAC-WEST has established procedures which guarantee that the company will remain in compliance with current FCC requirements. These procedures ensure that software, personnel, or any other network changes or additions to the payphone compensation process are done in accordance with guidelines and approvals documented in aforementioned procedure section and do not adversely affect its call tracking capabilities.

GSA has reviewed these procedures. PAC-WEST has attested that no significant or material changes to protocols have occurred. We therefore conclude that the procedures in place remain adequate and comprehensive. GSA conducted interviews with Neal Lam and Eva Fettig. Mr. Lam and Ms. Fettig individually verified that there have not been any significant changes to the program code, stored procedures or report systems for the call tracking system or payphone compensation system to date.



Compensable Call File and Reporting

PAC-WEST pulls all relevant call data directly from its switch CDR and prepares online reports for utilization in the compensation process. PAC-WEST compiles, through various filters accepted by industry standards and FCC requirements, the appropriate compensable call detail for matching and payment. This process extracts data monthly. The data is then accumulated after a complete calendar quarter. The accumulated data file is processed through the payphone compensation system. GSA reviewed the documented process and found it to be complete and accurate.

We reviewed the data file and found that it contained all the necessary information to perform an ANI match and to prepare detailed reports for compensation to each separate PSP or Aggregator. GSA also reviewed the compensation results files and found that the data corresponded to the original data set provided by PAC-WEST.

Dispute Resolution Procedures

PAC-WEST has assigned its representative, Eva Fettig Director of Regulatory Affairs, as the individual responsible for interfacing with PSP's. Ms. Fettig has verified that no disputes were filed with Pac-West in the last 12 months.

This process is further outlined in PAC-WEST's Dispute Resolution procedure.

Compensation Verification

GSAssociates has determined that PAC-WEST has properly compensated PSPs through the 1st. Quarter of 2010.

GSA has reviewed Q1 10 payment files and matched the data to PAC-WEST provided CDR and found no discrepancies. PAC-WEST has verified that funds were transferred to and remitted to the appropriate PSPs.



Audit Conclusions

FCC Relevant Rules Accurately Stated

PAC-WEST has established, defined, and documented in accordance with relevant FCC Rules each of the following:

- Per-call rate.
- Calls included as compensable calls
- Definition of completed call.
- Reporting requirements.
- Data Storage Requirements.

Established Security Protocols

PAC-WEST has implemented security protocols to limit access to call tracking systems in a controlled environment to authorized personnel. Monitoring tracking systems have been installed to limit access to the company's call tracking system. Access to compensation systems is controlled and monitored as well as limited to authorized personnel through security measures which have been implemented.

Audit Findings

PAC-WEST is a national provider of local and long distance telecommunications services to businesses, large enterprises and telecommunications carriers. PAC-WEST delivers its services over its own network of metropolitan fiber rings and long haul fiber optic facilities and through the use of facilities and services leased or purchased from third party carriers, including incumbent local exchange carriers.

PAC-WEST and its subsidiaries are authorized to provide intrastate and interexchange services and to provide competitive local exchange services.

GSA has tested and documented the compensation system in use as of the date of this report and found it to be effective and complete. GSA has validated payments made for Q1 of 2010. Our conclusion is that PAC-WEST is in compliance for the period audited and compensation has been appropriately made to the PSPs or Aggregators through March 31, 2010.

APPENDICES

Appendix 1:

Pac-West

Report of Management on Compliance with Applicable Requirements of Section 64.1310(a)(1) of the FCC's Rules and Regulations

The management of Pac-West Telecomm Inc. and its long distance and local exchange carrier operating subsidiaries (collectively, the "Company") are responsible for establishing and maintaining adequate systems and processes for its Pay Telephone Call Tracking System and for ensuring the Company's compliance with the applicable requirements of Section 64.1310(a)(1) of the FCC Report and Order in CC Docket No. 96-128, released on October 3, 2003, regarding *The Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996*.

Management has performed an evaluation of Company's compliance with the applicable requirements of CC Docket No. 96-128 using the criteria in 64.1320(c) as the framework for the evaluation. Based on this evaluation, we assert that the Company complies with all applicable requirements of CC Docket No. 96-128.

We have prepared the required assertion statements relating to the Company Payphone Call Tracking Systems.

Company is acknowledged as the "Completing Carrier" in the following call scenarios:

- Local Toll and Local Operated assisted calls as well as access code or subscriber toll-free payphone calls with the Info Digits (7, 27, and 70) completed by Company ("0" indicator).

All assertions for Company are from the point Company has visibility to the call tracking data.

Company has procedures in place to verify that controls and procedures relating to these assertions have been established and maintained. An independent accounting firm has performed an independent assessment of the effectiveness of such controls.

Company makes the following assertions where it is identified as the Completing Carrier:

FCC Compliance Factor (1) – Company's ("Completing Carrier") procedures accurately track calls to completion.

FCC Compliance Factor (2) – Company ("Completing Carrier") has a person or persons responsible for tracking, compensating, and resolving disputes concerning payphone-completed calls.

FCC Compliance Factor (3) - Company ("Completing Carrier") has effective data monitoring procedures.

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FCC Compliance Factor (4) - Company ("Completing Carrier") adheres to established protocols to ensure that any software, personnel, or any other network changes do not adversely affect its payphone call tracking ability.

FCC Compliance Factor (5) - Company ("Completing Carrier") creates a compensable payphone call file by using internal customer information matched to toll free records. This file contains all payphone traffic with payphone identifiers.

FCC Compliance Factor (6) - Company ("Completing Carrier") has procedures to incorporate call data into required reports and making payment to payphone service providers ("PSPs").

FCC Compliance Factor (7) - Company ("Completing Carrier") has implemented procedures and controls needed to resolve payphone compensation disputes.

FCC Compliance Factor (8) - Critical controls and procedures have been tested by Company ("Completing Carrier") to verify that errors are insubstantial.

FCC Compliance Factor (9) - Company ("Completing Carrier") has in place adequate and effective business rules for implementing and paying payphone compensation, including rules used to: (i) identify calls originated from payphones; (ii) identify compensable payphone calls; (iii) identify incomplete or otherwise non-compensable calls; and (iv) determine the identities of the payphone service providers to which Completing Carrier owes compensation.

Required Disclosures per 64.1320(d)

- The Company has criteria for identifying calls originating from payphones which include a call record info-digit identification of 7, 27, or 70;
- The Company has criteria for identifying compensable payphone calls which include all calls with info-digits 7, 27 or 70 and call duration greater than 0;
- The Company has criteria for identifying incomplete or otherwise noncompensable calls which include: a) calls that do not have info-digits 7, 27, or 70, and b) calls with duration of 0;
- The Company and has criteria used to determine the identity of the payphone service providers to which the Company ("Completing Carrier") owes compensation; and

Pac-West

Dated: July 21, 2010



Denis McCarthy
Chief Financial Officer
Pac-West Telecomm Inc.

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